

## RESOLUTION NO. \_\_\_\_\_

**RESOLUTION ADOPTING WRITTEN FINDINGS AND RESPONSES TO  
COMMENTS OR OBJECTIONS RECEIVED IN CONNECTION WITH  
CONSIDERATION OF THE ADOPTION OF THE AMENDED AND  
RESTATED REDEVELOPMENT PLAN FOR THE CENTRAL CORE  
REDEVELOPMENT PROJECT IN ACCORDANCE WITH THE  
PROVISIONS OF HEALTH AND SAFETY CODE SECTION 33363**

WHEREAS, the Redevelopment Agency of the City of Sunnyvale (the "Agency") has prepared and submitted to the City Council of the City of Sunnyvale (the "City Council"), for the City Council's consideration, the Amended and Restated Redevelopment Plan for the Central Core Redevelopment Project Area (the "Amended Plan"); and

WHEREAS, in connection with consideration of the Amended Plan, the City Council and the Agency conducted and completed a duly noticed public hearing on October 25, 2005, pursuant to the requirements of Health and Safety Code Section 33355; and

WHEREAS, at or prior to the joint public hearing, the City Council and the Agency received certain written comments or objections to the Amended Plan, which written comments or objections are set forth in Part II of that certain document entitled "Amended and Restated Redevelopment Plan for the Central Core Redevelopment Project Area: Written Findings and Responses Pursuant to Health and Safety Code Section 33363," which document is attached to this Resolution as Exhibit A, incorporated herein by this reference, and hereinafter referred to as the "Findings"; and

WHEREAS, Part III of the Findings contains the City Council's and Agency's written findings and responses to the above described comments or objections, which written findings and responses have been prepared and considered by the City Council in connection with consideration of adoption of the Amended Plan, all in accordance with the provisions of Health and Safety Code Section 33363; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

1. The City Council hereby finds and certifies that the Findings have been prepared in compliance with the provisions of Health and Safety Code Section 33363; that the Findings adequately address the written comments or objections received by the City Council in connection with the Amended Plan; and that the City Council has reviewed and considered the information contained in the Findings prior to approving the Amended Plan; and
2. The Findings set forth in the attached Exhibit A are hereby approved and adopted as, and shall constitute, the written findings and responses of the City Council with respect to the written objections to the Amended Plan required by Health and Safety Code Section 33363.

Adopted by the City Council at a regular meeting held on November \_\_\_\_\_, 2005, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

\_\_\_\_\_  
City Clerk  
(SEAL)

\_\_\_\_\_  
Mayor

APPROVED AS TO FORM AND LEGALITY:

\_\_\_\_\_  
David E. Kahn, City Attorney

EXHIBIT A

AMENDED AND RESTATED REDEVELOPMENT PLAN FOR THE  
CENTRAL CORE REDEVELOPMENT PROJECT AREA

WRITTEN FINDINGS AND RESPONSES PURSUANT  
TO HEALTH AND SAFETY CODE SECTION 33363

City Council of the City of Sunnyvale

November 1, 2005

## I. PURPOSE

The Redevelopment Agency of the City of Sunnyvale (the "Agency") has prepared, and the City Council of the City of Sunnyvale (the "City Council") is considering for adoption the Amended and Restated Redevelopment Plan for the Central Core Redevelopment Project Area (the "Amended Plan"). On October 25, 2005, the Agency and the City Council conducted a duly noticed joint public hearing on the Amended Plan in accordance with the requirements of Health and Safety Code Sections 33355 and 33361. At or prior to the joint public hearing, the Agency and the City Council received certain written comments or objections to the Amended Plan. Those written comments or objections are listed in Part II and set forth in full in Appendix I of this document.

Health and Safety Code Section 33363 states:

*"At the hour set in the notice required by Section 33361 for hearing objections, the legislative body shall proceed to hear all written and oral objections. Before adopting the Plan, the legislative body shall evaluate the report of the Agency, the report and recommendation of the Planning Commission, and all evidence and testimony for and against the adoption of the Plan and shall make written findings in response to each written objection of an affected property owner or taxing entity. The legislative body shall respond in writing to the written objections received before or at the noticed hearing, including any extensions thereof, and may additionally respond to written objections that are received after the hearing. The written responses shall describe the disposition of the issues raised. The legislative body shall address the written objections in detail, giving reasons for not accepting specified objections and suggestions. The legislative body shall include a good-faith, reasoned analysis in its response and, for this purpose, conclusionary statements unsupported by factual information shall not suffice."*

This document constitutes the written findings and responses of the City Council, as the legislative body of the City of Sunnyvale, prepared and adopted in accordance with the requirements of Health and Safety Code Section 33363. Specifically, Part III below contains the City Council's written findings and responses to the written comments or objections set forth in Part II and Appendix I.

Each substantive comment or objection listed in Part II and set forth in Appendix I has been assigned a reference identification number in the margin next to the comment or objection. The City Council's written findings and responses to each substantive comment or objection are set forth and organized in Part III according to those reference identification numbers.

These findings incorporate other documents, which are part of the record of adoption of the Amended Plan. These documents are listed below and are incorporated within these findings as supporting evidence by this and subsequent references:

- A. The Amended Plan;
- B. The Report to Council, dated October 2005 (the "Report");

- C. The Program Environmental Impact Report (the "Program EIR") prepared pursuant to the California Environmental Quality Act ("CEQA") to consider and analyze the environmental impacts related to adoption of amendments to the Land Use and Transportation Element of the General Plan, the Downtown Specific Plan and the Zoning Code. The Program EIR was certified by the City Council at its June 17, 2003 meeting (Resolution No. 123-03).
- D. The Addendum to the Program EIR, dated June 25, 2004, to assist in the City's review of the Town Center Mall portion of the Project (the "Addendum").
- E. Documentary and oral evidence received by the City of Sunnyvale Planning Commission, the Agency and the City Council during public hearings and meetings on the Amended Plan including, without limitation, staff reports submitted to the City Council and Agency at the October 25, 2005 joint public hearing on the Amended Plan; and
- F. Matters of common knowledge to the City Council and the Agency which they have considered, such as the City General Plan and prior resolutions and ordinances of the Agency and the City of Sunnyvale (the "City").

## II. WRITTEN COMMENTS AND OBJECTIONS

Written comments or objections to the Amended Plan were received directly by the City or Agency from the following persons:

1. Letter from Peter Kutras, Jr. of County of Santa Clara, dated October 7, 2005

The above letters are set forth in their entirety in Appendix 1 to this Exhibit A. Appendix 2 contains the Agency's response to the County's comment letter.

## III. WRITTEN FINDINGS AND RESPONSE OF CITY COUNCIL

1. **Peter Kutras, Jr. of County of Santa Clara, dated October 7, 2005**

### **Comment 1.1**

Comment: The County of Santa Clara (the "County") is opposed to the Amended Plan because of the concern that the Amended Plan would have a negative fiscal impact on County.

Response: Under the Community Redevelopment Law (Health & Safety Code Section 33300 et seq., the "CRL"), the Agency is required to make specified pass-through payments to the County of a portion of the tax increment received by the Agency from the Project Area (the "Project Area"). These payments would commence in the fiscal year following the fiscal year in which the current tax increment limit is reached. These statutory payments are explained in

detail in Chapter IV.F.5 of the Report. The CRL provides that the statutory pass-through payments are the only mitigation measures the Agency is required or permitted to make to any affected taxing agency.

The Agency expects that the redevelopment of the Town Mall property will serve as a catalyst for private investment and development of properties near the Town Mall property both within and outside the Project Area. The increased rate of development will result in increased assessed property tax valuations both inside and outside the Project Area. This increase in assessed valuation will increase the County's tax revenues, through larger statutory pass-through payments for new development within the Project Area and larger property tax payments (of which the County receives an approximate 27% share) outside the Project Area, thereby improving the County's fiscal situation.

The Agency also anticipates spending a significant amount of funds on new housing development and revitalization outside the Project Area. These expenditures will increase property tax valuations and therefore property tax revenues to the County faster than if the Agency were not in a position to make these expenditures, as would be the case if the Amended Plan is not adopted.

Additionally, the Agency has analyzed the potential growth in tax increment under several growth scenarios in the Project Area (with and without the Amended Plan) and the relative fiscal impact to the County of these different growth scenarios. These analyses conclude that the County will be far better off financially in the relative mid-term (15-20 years) if the Amended Plan is adopted, than if the Amended Plan is not adopted.

For all these reasons, the Agency believes that the County fiscal situation will be better in the long-term with the Amended Plan as further explained in the Agency's two letters, attached in Appendix 2, responding to the County's comment letter.

Findings: Based on the foregoing, the City Council determines that all legally required and permitted mitigation will be made to the County to alleviate the fiscal impact of the Amended Plan on the County. On this basis, the City Council hereby overrules the above comment.

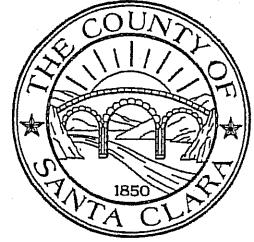
APPENDIX 1

LETTERS OF COMMENT

**County of Santa Clara**

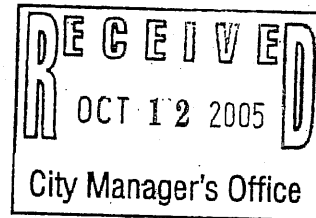
Office of the County Executive

County Government Center, East Wing  
70 West Hedding Street  
San Jose, California 95110  
(408) 299-5105



October 7, 2005

Amy Chan, City Manager  
City of Sunnyvale  
465 W. Olive Avenue  
Sunnyvale, CA 94086



Dear Ms. Chan:

The County of Santa Clara is opposed to the Sunnyvale Central Core Redevelopment Project Amended and Restated Plan. The root of the County's opposition is the property tax loss the amended plan will create for the County.

The Plan amendment will increase the tax increment limit to \$600 million from its current set amount of \$118 million. The increase to the increment limit will subsequently extend the duration that property tax dollars are shifted away from the taxing jurisdictions within the redevelopment project up to an additional 16 years (2013/14 to 2028/29). We estimate a loss to the County of nearly \$2.85 million for fiscal year 2013/14, the first year the tax increment is expected to exceed the current limit of \$118 million. The loss to the County will grow each year thereafter, commensurate to the growth in assessed valuation. The total estimated loss due to the amendment, using the City's assumed tax increment numbers, is projected to exceed \$59 million. If the project area maintains a 3.4 percent growth rate and receives the full \$600 million tax increment as set by the amended plan, the County total additional property loss would be \$75 million.

Although the County is projected not to incur an additional loss until fiscal year 2013/14, we deem these future tax dollars necessary to sustain essential services to the County's citizens. Our budget reflects a high reliance on property tax revenues and less on other taxes, such as the sales and use tax that cities can depend on. For example, with a population of 1.7 million, Santa Clara County's annual share of the Bradley Burns sales and use tax apportionment is only \$3 million. Therefore, it is paramount that the County safeguards its revenue base to ensure the County's sustainability.

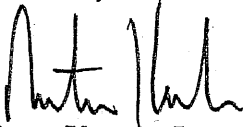


Amy Chan, City Manager  
City of Sunnyvale  
October 7, 2005  
Page Two

Attached is a schedule of the property tax loss using the City's assumption of property tax growth for the current year (2005/06) compared to the projected loss to the County for fiscal year 2013/14. The net loss to the County of the one percent rate, after adjusting for the ERAF shift, for fiscal year 2013/14 is \$2,275,000. The loss from the County's retirement levy is \$573,000. Our estimate of the AB 1290 mandated pass through return to the County for 2013/14 is a mere \$42,000.

For these reasons, we are compelled to oppose the Amended and Restated Plan for the Sunnyvale Central Core Redevelopment Project.

Sincerely,



Peter Kutras, Jr.  
County Executive

Attachment

cc: Board of Supervisors  
Ann Miller Ravel, County Counsel  
Gary A. Graves, Chief Deputy County Executive  
John V. Guthrie, Director, Finance Agency  
David Elledge, Controller-Treasurer

ATTACHMENT

Santa Clara County Loss of Tax Increment  
to Sunnyvale Central Core Revelopment Project

	<u>Actual FY 05/06</u>	<u>Projected FY 13/14</u>
Assessed valuation increment	\$ 335,958,314	\$ 1,477,660,000
One percent tax	\$ 3,359,583	\$ 14,777,000
County annual tax increment factor	0.2683139436	0.2683139436
County gross loss from 1% tax	\$ 901,423	\$ 3,965,000
County ERAF shift	<u>384,321</u>	<u>1,690,000</u>
Net County loss from 1% (after ERAF)	\$ 517,102	\$ 2,275,000
County retirement levy loss (0.0388)	<u>130,352</u>	<u>573,000</u>
<b>Total County tax increment loss</b> (not including the misc - SB813, unitary..)	<b>\$ 647,454</b>	<b>\$ 2,848,000</b>
AB 1290 Pass-through to County	N/A	\$ 42,000

APPENDIX 2

AGENCY RESPONSE TO COUNTY COMMENT

## CITY OF SUNNYVALE

456 WEST OLIVE AVENUE  
Office of the City Manager

SUNNYVALE, CALIFORNIA 94086

(408) 730-7480

October 17, 2005

Mr. Peter Kutras, Jr.  
County Executive  
County Government Center, East Wing  
70 W. Hedding Street  
San Jose, CA. 95110

Re: Sunnyvale Central Core Redevelopment Project Amended and Restated Plan

Dear Mr. Kutras:

I was surprised to receive your letter of October 7, 2005 saying the County is compelled to oppose the Amended and Restated Plan for the Sunnyvale Central Core Redevelopment Project. As you know, we scheduled a meeting, at your request, with you and Deputy County Executive Jane Decker for October 21, 2005. The purpose of this meeting is to discuss the Sunnyvale Downtown Redevelopment Project and to explain to the County why it would be contrary to the County's economic interests to oppose the Amended Plan. Consequently, your letter of October 7 opposing Sunnyvale's Amended Plan before our October 21 meeting is premature and inconsistent with my understanding of our scheduled October 21 meeting.

The current Sunnyvale Central Core Redevelopment Project tax increment cap of \$118 million was set in 1986 based on then-existing bonded debt that Sunnyvale's Redevelopment Agency incurred in the mid-1970's for the original Town Center Mall redevelopment project. The circumstances of the Sunnyvale Town Center have changed dramatically since the increment cap was set in 1986. First, the Agency's parking garages for the Town Center had to be permanently closed in June 2003 because of serious structural problems and safety concerns. Second, the private Town Center Mall had a vacancy rate of over 50%, including a vacant J.C. Penney's store. Third, the mall's owner filed for bankruptcy in September 2002. Finally, the mall closed as a result of the bankruptcy and poor sales performance and all remaining tenants vacated by the middle of 2003.

The increase in the tax increment cap will be used to assist in paying for a new parking garage, as well as remaining debt from the original Town Center Project. Furthermore, as a result of the lack of viable tax increment from the Town Center in past years, the Sunnyvale Redevelopment Agency has been accruing an

affordable housing deficit which now totals \$6,238,207 and will continue to increase until a viable Town Center redevelopment project is completed.

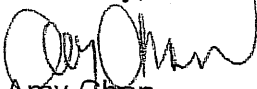
Your letter of October 7, 2005 and the County's loss of tax increment projections are based on the erroneous assumption that the assessed value of the property will increase without the City's construction of the new parking garage. In fact, if the City's tax increment cap is not increased so that the parking garage can be built and the affordable housing loan repaid, it is highly unlikely that the current retail/residential redevelopment will be built. If it is not built, then there will no or minimal increase in the assessed value of the currently blighted property. This is in contrast to the anticipated \$400 million increase in assessed value if the redevelopment project is completed. If the tax increment cap is increased, pass-through payments over the life of the redevelopment plan are estimated at \$65 million. In addition, the County will receive substantially greater tax payments after the redevelopment plan ends if the property is redeveloped as currently proposed in contrast to what will likely occur if the tax increment cap is not increased.

In sum, it would be extremely short-sighted of the County to oppose the increase in the tax increment cap for the Sunnyvale Town Center redevelopment plan. In addition, we believe there is no legal basis for opposing the amendment.

It was my intention to discuss these facts with you on October 21, based on our understanding that the County would not take a formal opposition position until we had the opportunity to meet on October 21. Your letter of October 7, 2005 compels me to provide this response to set the record straight.

Please let me know if it was your intention to cancel our meeting of October 21 in view of your October 7 opposition letter. Otherwise, I suggest that we still meet so that you can better understand why it is not in the County's interest to oppose the Amended and Restated Plan for the Sunnyvale Central Core Redevelopment Project.

Sincerely,



Amy Ghan  
City Manager

cc: City Council  
David Kahn, City Attorney  
Mary Bradley, Finance Director  
Robert Paternoster, Community Development Director  
Santa Clara County Board of Supervisors  
Ann Miller Ravel, County Counsel  
Gary Graves, Chief Deputy County Executive  
John Guthrie, Director, finance Agency, Santa Clara County

## CITY OF SUNNYVALE

456 WEST OLIVE AVENUE  
Office of the City Manager

SUNNYVALE, CALIFORNIA 94086

(408) 730-7480

October 27, 2005

Mr. Peter Kutras, Jr.  
County Executive  
County Government Center, East Wing  
70 W. Hedding Street  
San Jose, CA 95110

Re: Follow-Up to October 21 Meeting with County about Sunnyvale Central  
Core Redevelopment Project Amended and Restated Plan

Dear Pete:

Thanks very much to you and Jane for meeting with Mary Bradley and me last Friday. We appreciated the opportunity to explain the City of Sunnyvale's Central Core Redevelopment Plan to alleviate the current blighted conditions, and the benefit to the County's tax revenue. In response to the County's formal objection letter of October 7, 2005, I want to summarize the information the City of Sunnyvale provided at the meeting and in subsequent communications to Assistant County Executive Jane Decker.

As mentioned on Friday, the primary reason for the plan amendment raising the cap is to enable the Town Center Mall to be redeveloped. The Mall has been vacant and deteriorating since mid-2003 except for the two stand-alone stores, Macy's and Target. A recent sale of the Mall to Forum Development was made possible by the property entitlements for retail and residential development and a potential Disposition, Development and Owner Participation Agreement (DDOPA). A key element of the DDOPA is a contribution by the City of new tax increment generated by the development. This contribution is necessary because the current Mall parking is unsafe and the City is required by present agreements with the Mall to provide adequate parking. Further, a substantial investment in street infrastructure is required for the project. Without the City's tax increment contribution, the Mall would not be redeveloped.

If the Mall property remains at its current value and is adjusted annually for the allowable 2% increase in property tax, and there is no increase in the tax increment cap, starting in fiscal year 2025/2026 the County will begin to receive its share of property tax for approximately \$313,000 per year. If the property is sold to a developer who produces a big box retail center (the most likely scenario if the City's participation is limited by the present cap) at an additional value of \$100 million, the County will begin to receive in fiscal year 2022/2023 about \$363,000 annually in tax increment.

However, if the tax increment cap is increased and the proposed Town Center development proceeds the project will add \$385 million in assessed value. The County will receive property tax of \$1.6 million annually, starting in fiscal year 2032/2033. By fiscal year 2033/2034, the County's share of property tax exceeds the no build or big box options discussed above. After that, the County will receive about 500% more tax increment than under the other two scenarios. It follows that over the longer term, it is in the County's best financial interest to allow the redevelopment of the Mall to take place.

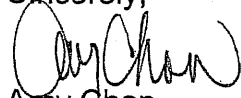
Furthermore, most of the RDA affordable housing money that we will spend will be outside of the project area, and thus subject to normal property tax allocation. With the increase in the cap, the City of Sunnyvale expects to start spending about \$1.8 million per year in low and moderate income housing funds starting in fiscal year 2015/2016, at least ten years earlier than if the cap were not raised. This money spent outside of the project area will result in increased assessed value of which you will get 27%. In fact, the City's investment will probably leverage private investment of up to ten times our amount.

Finally, the City is faced with a decline of our downtown businesses as a result of the closure of the Mall in 2003. A case in point is the status of the three office buildings on Mathilda that were completed three years ago by the Mozart Development Co. Their assessed value was reduced through the appeal process to about half because two-thirds of the buildings are empty. The closure of the Mall had a negative effect on the ability to lease these properties. This decline will be reversed with the redevelopment of the Town Center. In a similar manner, the redevelopment of the Mall is expected to stimulate reinvestment in the entire redevelopment area and its immediate surroundings. This will not only eliminate blight, but more importantly from the County's perspective increase the assessed value of a large portion of central Sunnyvale.

For all these reasons, the County would be short-sighted to oppose the City of Sunnyvale's redevelopment of the clearly blighted Town Center. Sunnyvale tax increment is only 1% of the total redevelopment tax increment in the County. While the City understands the County's request for some replacement revenue for tax increment in the earlier years of the redevelopment plan, the reality is that even with the current cap in place the County will not receive significant new revenue until 2022/23. The City is unable, due to a continuing budget deficit, to offer any transfer of funds to the County in the early years of the redevelopment plan or any replacement revenue after 2022/23. Of course, the City is not obligated to do so and the County will receive its full legal pass-through under California redevelopment law. Further, Sunnyvale in 2003 approved a Transportation Strategic Program (TSP) which has a comprehensive funding strategy for County roadway improvements using a Transportation Impact Fee. This TSP designates \$20.2 million from Sunnyvale funds for supporting projects on County roadways. Specifically included are projects on Lawrence Expressway at Arques, Lochinvar and for the HOV lane north of US 101.

Thank you again for the opportunity to meet and discuss the Sunnyvale Redevelopment Plan. Please feel free to call Mary Bradley or me if you have any additional questions.

Sincerely,



Amy Chan  
City Manager

cc: City Council  
David Kahn, City Attorney  
Mary Bradley, Finance Director  
Robert Paternoster, Community Development Director  
Santa Clara County Board of Supervisors  
Ann Miller Ravel, County Counsel  
Gary Graves, Chief Deputy County Executive  
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